

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 XMB-02 AGR-05 CEA-01

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R 102105Z JAN 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 7247

INFO AMEMBASSY CARACAS

AMEMBASSY QUITO

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E. O. 11652: N/A

TAGS: ETRD, BR

SUBJECT: BRAZILIAN REACTION ON TRADE REFORM ACT

BEGIN UNCLASSIFIED

1. SUMMARY-PRESS HAS GIVEN BROAD COVERAGE TO VARIOUS LATIN AMERICAN PROTESTS ON TRADE ACT BUT COMMENT ON IMPACT FOR BRAZIL HAS BEEN RESERVED, GENERALLY TAKING LINE THAT US LAW HAS RESTRICTIVE PROVISIONS BUT NOT YETNCLEAR WHETHER THESE WILL POSE DIFFICULTIES FOR BRAZIL. PUBLIC COMMENTS BY EXPORTER GROUPS HAVE BEEN MIXED. OFFICIAL GOB REACTION, APPARENTLY SETTING PACE FOR PRESS COMMENTARY, HAS BEEN MAINLY CAUTIOUS AND NON-COMMITTAL. SECRETARY'S INTENTION TO SEEK MODIFICATION OF GSP RESTRICTION RE ECUADOR AND VENEZUELA ALSO WELL COVERED IN PAPERS. END SUMMARY.

2. BRAZILIAN PRESS HAS GIVEN BROAD COVERAGE TO PROTESTS BY ECUADOR

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AND VENEZUELA AGAINST GSP RESTRICTIONS OF TRADE ACT AND TO SUPPORTIVE

DECLARATIONS FROM COLOMBIA, PERU, COSTA RICA, AND PANAMA. PRESS HAS ALSO FEATURED PROMINENTLY STATEMENT BY DEPARTMENT SPOKESMAN THAT SECRETARY INTENDS TO SEEK RELIEF FROM CONGRESS REGARDING GSP RESTRICTIONS ON ECUADOR AND VENEZUELA.

3. ON DECEMBER 30, BRAZILIAN EXPORTERS ASSOCIATION ISSUED STATEMENT CRITICIZING SOME PROVISIONS OF TRADE ACT AS "RESTRICTIVE AND DISCRIMINATORY". ASSOCIATIONS COMPLAINT FOCUSED ON QUANTITATIVE LIMITATIONS UNDER US PREFERENCE SCHEME, ON EXCLUSION OF SHOES, TEXTILES, ETC., AND ON CHANGES IN COUNTERVAILING DUTY PROVISIONS WHICH "WILL FACILITATE AND STIMULATE THE PRESENTATION OF COMPLAINTS AGAINST SUBSIDIZED EXPORTS". OTHER EXPORTER INTERESTS IN THE SAO PAULO AREA, ACCORDING TO PRESS, HAD A MORE RELAXED ATTITUDE, COMMENTING THAT TRADE ACT WILL POSE SOME OBSTACLES FOR SELLING TO US MARKET BUT THAT BUSINESS GROUPS WERE OPTIMISTIC THAT IMPLEMENTATION OF LAW WOULD NOT BE RIGOROUS OR GO AGAINST ANY EXISTING TRADE AGREEMENTS. DIRECTOR OF BRAZILIAN EXPORT INSTITUTE COMMENTED THAT TRADE ACT APPEARED TO BE ANOTHER STEP IN AN INTERNATIONAL ESCALATION OF TRADE BARRIERS WHICH POSED INCREASINGLY DIFFICULT CIRCUMSTANCES FOR LDC EXPORTERS.

4. ON DECEMBER 26, IN THE COURSE OF A GENERAL PRESS CONFERENCE, GOB MINISTER OF INDUSTRY AND COMMERCE GOMES MILDLY CRITICIZED THE US TRADE ACT, COMMENTING THAT ITS APPROVAL RAISED THE LEVEL OF GOB CONCERN ABOUT PROSPECTS FOR BRAZILIAN EXPORTS. OTHER OFFICIAL REACTIONS HAVE BEEN CONFINED TO LOW-KEY COMMENTS FROM FOREIGN MINISTRY, NOTING THAT US CONGRESS HAD ADDED SOME RESTRICTIVE MEASURES TO THE TRADE BILL BUT THAT GOB HAD NOT YET ANALYZED THEIR EFFECTS ON BRAZIL. NEW PROVISIONS ON COUNTERVAILING DUTIES WERE NOTED AS POSSIBLE CONCERN, AS WERE GSP RESTRICTIONS THAT MIGHT AFFECT MEMBERS OF INTERNATIONAL COMMODITY PRODUCER GROUPS, SUCH AS THOSE FOR COFFEE OR COCOA. FOREIGN MINISTRY SOURCES NOTED THAT US LEGISLATION GAVE GREATER FLEXIBILITY TO THE ADMINISTRATION IN APPLICATION OF TRADE MEASURES BUT COMMENTED THAT CONGRESS WOULD BE VIGILANT WITH RESPECT TO IMPLEMENTATION OF LAW'S PROVISIONS. FOREIGN OFFICE SOURCES STATED THAT WHILE IT WAS NATURAL AND EXPECTED FOR EXPORTER GROUPS TO COMPLAIN, THE GOVERNMENT MUST TAKE INTO CONSIDERATION BRAZIL'S IMPORTANT TRADE RELATIONS WITH LIMITED OFFICIAL USE

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THE US, AS WELL AS ITS OWN "SPECIFIC GRAVITY" ON THE CONTINENT, AND NOT TAKE ANY HASTY ATTITUDES.

5. EDITORIAL COMMENT ON TRADE BILL HAS BEEN LIGHT, WITH COMMENTS GENERALLY REFLECTING FOREIGN MINISTRY'S RESERVED REACTION THAT WHILE VENEZUELA AND ECUADOR MAY HAVE VALID COMPLAINTS, THERE IS NO APPARENT REASON AT THE MOMENT FOR BRAZIL TO BECOME OVERLY CONCERNED. MAJOR RIO DAILY JORNAL DO BRASIL,

IN A JANUARY 7 EDITORIAL ENTITLED, "DIPLOMATIC MODERATION",
CAUTIONED THAT WITH RESPECT TO PROTESTS BY SOME LATIN AMERICAN
COUNTRIES AGAINST THE TRADE ACT, IT WAS IMPORTANT TO DISTINGUISH
BETWEEN POLITICAL INTERESTS AND STRICTLY ECONOMIC INTERESTS.
JORNAL COMMENTED THAT VENEZUELA, A BALANCE OF PAYMENTS SURPLUS
COUNTRY THAT ASPIRED TO A POSITION OF LEADERSHIP IN LATIN
AMERICA, WAS TAKING A POSITION AIMED AT SEEKING REGIONAL
ADVANTAGES AND SUPPORT IN ITS DEALINGS WITH THE US ON OIL
SUPPLY AND PRICES FROM THE BRAZILIAN POINT OF VIEW, JORNAL
CONTINUED, IT WAS NECESSARY TO DISTINGUISH BETWEEN ECONOMIC
INTEREST AND POLITICAL DEMAGOGY. BRAZIL, WITHOUT ABANDONING
HEMISPHERIC SOLIDARITY, HAD TO DEFEND ITS OWN INTERESTS
BILATERALLY. THE EFFECTS OF THE TRADE ACT WERE IMPORTANT CON-
SIDERATIONS FOR BRAZIL BECAUSE OF ITS LARGE TRADE WITH THE
US, BUT THE PAPER NOTED THAT MORE THAN 75 PERCENT OF COUNTRY'S
TRADE IS WITH OTHER AREAS, OF WHICH THE EEC IS THE MOST IMPORTANT.
THE PAPER SUPPORTED THE FOREIGN MINISTRY'S "MODERATION AND
REALISM" AND CAUTIONED THAT "WE SHOULD NOT BECOME OVERLY
EXCITED WITH POLITICAL ASPECTS, WHOSE SUPER DIMENSIONING
IS MORE IN THE INTEREST OF OTHERS AND NOT OUR OWN".

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6. THE BUSINESS-ORIENTED GAZETA MERCANTIL NOTED THAT THE REACTION OF VENEZUELA AND ECUADOR WAS NATURAL SINCE THEY WERE MEMBERS OF OPEC AND THAT OTHER MEMBERS OF EXPORT PRODUCER GROUPS MIGHT BE AFFECTED. IMPACT OF THE TRADE ACT THROUGHOUT THE HEMISPHERE WAS VARIED AND THE LAW WOULD ALSO BRING BENEFITS FOR SOME COUNTRIES. THE CONSERVATIVE BRASILIA DAILY, CORREIO BRAZILENSE, COMMENTED THAT WHILE BRAZIL'S EVENTUAL REACTION TO THE TRADE ACT MIGHT ALSO BE PROTESTING, THERE WAS NO CAUSE FOR INITIALLY TAKING A POLITICALLY MOTIVATED ANTI-AMERICAN ATTITUDE AND THAT BRAZIL'S POSITION SHOULD BE DETERMINED ONLY AFTER CAREFUL REFLECTION. THE INFLUENTIAL ESTADO DE SAO PAULO ON JANUARY 5, IN AN EDITORIAL NOT DIRECTLY ADDRESSED TO THE TRADE ACT, EXPRESSED CONCERN OVER THE IMPACT OF US ANTI-INFLATIONARY POLICIES WHICH THE PAPER SAID POSED A THREAT OF "EXPORTING" AND AMERICAN DEPRESSION TO THE REST OF THE WORLD.

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7. COMMENT: GOB'S SOMEWHAT MUTED INITIAL REACTION TO TRADE ACT PASSAGE IS INDICATIVE OF SERIOUSNESS WITH WHICH BRAZIL LOOKS AT TRADE ISSUES. THEY EXPECT TO REALIZE SOME TANGIBLE BENEFITS FROM US PREFERENCE SCHEME AND HAVE AN EVEN LARGER STAKE IN THE MTN. EMBASSY CONTACTS THUS FAR WITH FOREIGN MINISTRY, INCLUDING NOGUEIRA BATISTA, HAVE GENERATED MORE QUESTIONS THAN COMMENT. MAIN GOB CONCERNS ARE WELL KNOWN-- EXCLUSION OF SHOES AND TEXTILES, GSP PRODKCT CEILINGS AND COUNTERVAILING DUTY PROVISION. NEW CONCERN WILL BE POSSIBLE APPLICATION AGAINST BRAZIL OF GSP RESTRICTION AFFECTING MEMBERS OF COMMODITY EXPORTER GROUPS. EVENTUAL GOB PUBLIC STATEMENT ON TRADE ACT, WHILE BEING CAREFUL TO MAINTAIN BRAZIL'S LA AND LDC CREDENTIALS IN GOOD STANDING, IS NOT LIKELY TO BE STRONGLY ANTAGONISTIC, PARTICULARLY WHILE PRODUCT LIST FOR PREFERENTIAL TREATMENT, WHICH WILL LARGELY DETERMINE BRAZILIAN BENEFITS UNDER GSP, IS BEING CONSIDERED.

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